

**Alliance House, Inc.**

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**Financial Statements  
and  
Independent Auditors' Report**

**December 31, 2001**

# Alliance House, Inc.

## Contents

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Independent Auditors' Report	1
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 9



**Haynie &  
Company**

**Certified Public Accountants** (a professional corporation)

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**INDEPENDENT AUDITORS' REPORT**

**The Board of Directors  
Alliance House, Inc.:  
Salt Lake City, Utah**

We have audited the accompanying statement of financial position of **Alliance House, Inc.** (a nonprofit organization) as of December 31, 2001 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **Alliance House, Inc.** as of December 31, 2001, and the changes in its net assets and in its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

*Haynie & Co*

**Salt Lake City, Utah  
May 20, 2002**

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December 31

2001

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**Assets**

**Current assets:**

Cash	\$	155,138
Certificates of deposit		6,509
Marketable securities		182,588
Receivables		2,770
Unconditional promise to give:		
United Way funding for the next fiscal year		15,000
Deposits		300
Prepaid expenses		2,690

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<b>Total current assets</b>		<b>364,995</b>
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<b>Property and equipment, net</b>		<b>724,093</b>
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<b>Other asset</b>		<b>180</b>
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<b>Total assets</b>	<b>\$</b>	<b>1,089,268</b>
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**Alliance House, Inc.**

**Statement of Financial Position**

December 31

2001

**Liabilities and net assets**

**Current liabilities:**

Accounts payable	\$	37,374
Deferred revenue		450
Housing deposits		450

**Total current liabilities**

38,274

**Net assets:**

Unrestricted	885,922
Unrestricted - board designated	106,528
Temporarily restricted	58,544

**Total net assets**

1,050,994

**Total liabilities and net assets**

\$ 1,089,268

*See accompanying notes to financial statements.*

# Alliance House, Inc.

## Statement of Activities

For the year ended December 31	2001
<b>Unrestricted net assets:</b>	
<b>Support:</b>	
Salt Lake Valley Mental Health	\$ 348,679
Fees and rents	66,810
Rental income	38,014
Vocational rehabilitation	8,102
Training base revenue	43,969
Donated services	7,000
Interest income	1,663
Dividend income	6,440
Contributions	91,276
Fund raising	54,950
Contribution from Valley Mental Health	30,000
(Loss) on sale of investments	(3,463)
Unrealized (loss) on investments	(1,619)
<b>Total unrestricted support</b>	<b>691,821</b>
<b>Net assets released from restriction:</b>	
United Way funding	45,115
R. Harold Burton Foundation	10,390
Hearst Foundation grant	10,000
American Express	10,677
<b>Total unrestricted support and reclassifications</b>	<b>768,003</b>
<b>Expenses:</b>	
Program services	599,307
<b>Supporting services:</b>	
Administrative	97,490
Fund raising	6,366
<b>Total expenses</b>	<b>703,163</b>
<b>Increase in unrestricted net assets</b>	<b>64,840</b>
<b>Temporarily restricted net assets:</b>	
<b>Contributions:</b>	
United Way funding	45,115
R. Harold Burton Foundation	8,282
American Express grant	4,189
<b>Net assets released from restrictions:</b>	
United Way funding	(45,115)
R. Harold Burton Foundation	(10,390)
Hearst Foundation grant	(10,000)
American Express grant	(10,677)
<b>(Decrease) in temporarily restricted net assets</b>	<b>(18,596)</b>
<b>Increase in net assets</b>	<b>46,244</b>
<b>Net assets, beginning of year</b>	<b>1,004,750</b>
<b>Net assets, end of year</b>	<b>\$ 1,050,994</b>

See accompanying notes to financial statements.

# Alliance House, Inc.

## Statement of Functional Expenses

For the year ended December 31, 2001

	Program Services	Supporting Services			Total Expenses
		Adminis- trative	Fund Raising	Total Supporting	
Salaries and wages	\$ 229,326	\$ 61,344	\$ -	\$ 61,344	\$ 290,670
Employee benefits	71,411	24,548	-	24,548	95,959
Janitorial	2,844	-	-	-	2,844
Maintenance	27,848	-	-	-	27,848
Food provisions	28,151	-	-	-	28,151
Education and training	9,407	-	-	-	9,407
Office supplies	14,980	-	-	-	14,980
Office furniture and fixtures	931	104	-	104	1,035
Mileage and transportation	4,611	512	-	512	5,123
Utilities	14,841	1,649	-	1,649	16,490
Telephone	3,913	435	-	435	4,348
Rent	18,623	-	-	-	18,623
Contract labor	1,088	-	-	-	1,088
ICCD dues	1,446	-	-	-	1,446
Insurance	4,952	-	-	-	4,952
Fund raising	-	-	6,366	6,366	6,366
Development	47,771	-	-	-	47,771
Board expenses	-	275	-	275	275
Professional fees	-	8,623	-	8,623	8,623
Business unit	1,265	-	-	-	1,265
Education unit	2,635	-	-	-	2,635
Employment unit	33	-	-	-	33
Training base	24,743	-	-	-	24,743
Program supplies	5,651	-	-	-	5,651
Donation	55,200	-	-	-	55,200
Miscellaneous	6	-	-	-	6
<b>Total expenses</b>					
before depreciation	571,676	97,490	6,366	103,856	675,532
Depreciation	27,631	-	-	-	27,631
<b>Total expenses</b>	<b>\$ 599,307</b>	<b>\$ 97,490</b>	<b>\$ 6,366</b>	<b>\$ 103,856</b>	<b>\$ 703,163</b>

See accompanying notes to financial statements.

**Alliance House, Inc.**  
**Statement of Cash Flows**

For the year ended December 31	2001
<b>Cash flows from operating activities:</b>	
Increase in net assets	\$ 46,244
<b>Adjustments to reconcile net assets to net cash provided by operating activities:</b>	
Depreciation	27,631
Loss on sale of investments	3,463
Unrealized loss on investments	1,619
<b>(Increase) decrease in operating assets:</b>	
Accounts receivable	10,908
United Way funding for next year	-
Prepaid expense	(450)
Other asset	(180)
<b>Increase (decrease) in operating liabilities:</b>	
Accounts payable	18,203
<b>Net cash provided by operating activities</b>	<b>107,438</b>
<b>Cash flows from investing activities:</b>	
Payments for land, building, and equipment	(12,991)
Purchase of marketable securities	(1,055)
Proceeds from sale of marketable securities	3,737
<b>Net cash (used) by investing activities</b>	<b>(10,309)</b>
<b>Net increase in cash and equivalents</b>	<b>97,129</b>
<b>Cash and equivalents, beginning of year</b>	<b>64,518</b>
<b>Cash and equivalents, end of year</b>	<b>\$ 161,647</b>

*See accompanying notes to financial statements.*



# Alliance House, Inc.

## Notes to Financial Statements

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### Note 1 - Organization

Alliance House, Inc. (AH) is a private, nonprofit organization that operates a community-based pre-vocational transitional employment and social rehabilitation program for the chronically mentally ill in concert with Valley Mental Health (VMH), a private, non-profit organization. The program functions as a work club in which the members work with the VMH staff to sustain the internal operations of the club, whose operations, in turn, constitute part of the pre-vocational training. Over a period of time, the members are placed into temporary jobs outside the clubhouse, which will ultimately lead to full-time employment and independence. AH has been in existence since 1986 and currently has over 130 active members. The program has delivered numerous benefits, including enhancement of self esteem and mutual self-help among the mentally ill.

### Note 2 - Significant accounting policies

**Basis of accounting** - The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

**Promises to give** - Contributions are recognized when donors make promises to give to the Organization that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets.

**Revenue** - A substantial portion of AH's support is derived from VMH. AH has contracted with and pays a fee to VMH to operate the club house. The cost of operations above the fee paid by AH, is treated as an in-kind contribution from VMH. Revenues from VMH are dependent upon funding policies of the VMH, and those parties from whom VMH receives its funds. As such, funding can be terminated at the discretion of VMH.

**Contributed services** - During the year ended December 31, 2001, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Organization.

**Contributions** - AH accounts for contributions using SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Under SFAS No. 116, such contributions are required to be reported as temporarily restricted support and are then reclassified to unrestricted net assets upon expiration of the time restriction.

# Alliance House, Inc.

## Notes to Financial Statements (continued)

### Note 2 - Significant accounting policies (continued)

**Financial statement presentation** - Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117. The Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Fixed assets** - Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Organization reclassifies temporarily restricted net assets to unrestricted net assets accordingly. Property and equipment are depreciated using straight-line and accelerated depreciation methods over the following estimated useful lives.

	Estimated Useful life
Building	31.5 years
Building improvements	29-39 years
Equipment	5-10 years
Donated equipment	5-7 years

**Functional allocation of expenses** - The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

**Income taxes** - AH has received an exemption from Federal income taxes as a nonprofit corporation under Section 501(c)(3) of the Internal Revenue Code.

**Use of estimates** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the organization to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from those estimates.

**Cash and certificates of deposit** - For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

# Alliance House, Inc.

## Notes to Financial Statements (continued)

### Note 3 - Reimbursed operational expenses

During 2001, VMH incurred \$437,081 of operational expenses for AH, of which \$437,081 was reimbursed by AH. The full \$437,081 of expenses are reflected in the financial statements of AH.

### Note 4 - Marketable securities

Marketable securities and unrealized appreciation consist of:

	Total Cost	Market Value	Unrealized (Depreciation)
Mutual Funds	\$ 210,431	\$ 182,588	\$ (27,843)

Components of investment return consist of the following:

December 31	2001
Interest and dividends	\$ 6,409
(Loss) on sale of investments	(3,463)
Unrealized (loss)	(1,619)
	\$ 1,327

### Note 5 - Property and equipment

Property and equipment consists of the following:

December 31	2001
Land	\$ 165,700
Building	478,399
Building improvements	246,502
Equipment	91,134
	981,735
Less accumulated depreciation	257,642
Property and equipment, net	\$ 724,093

# Alliance House, Inc.

## Notes to Financial Statements (continued)

### Note 6 - Fair values of financial instruments

The following methods and assumptions were used by the Organization in estimating its fair value disclosures for financial instruments:

**Cash, certificates of deposit and short-term investments due in less than one year:** The carrying amounts reported in the statement of financial position approximate fair values because of the short maturities of those instruments.

**Marketable securities:** The fair value of marketable securities are based on quoted market prices for those or similar investments.

The estimated fair values of the Organization's financial instruments are as follows:

December 31	2001	
	Carrying Amount	Fair Value
Cash	\$ 155,138	\$ 155,138
Certificates of deposit	6,509	6,509
Marketable securities	182,588	182,588

The carrying amounts in the preceding table are included in the statement of financial position under the applicable captions.